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## BEFORE THE ARIZONA CORPORATION COMMISSION

## COMMISSIONERS

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 GARY PIERCE

2008 APR -4 P 2: 31  
 Arizona Corporation Commission  
 AZ CORP COMMISSION DOCKETED  
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 APR - 4 2008

DOCKETED BY 

IN THE MATTER OF THE APPLICATION OF  
 ARIZONA ELECTRIC POWER COOPERATIVE,  
 INC., FOR A RATE INCREASE.

Docket No. E-01773A-04-0528

IN THE MATTER OF THE APPLICATION OF  
 SOUTHWEST TRANSMISSION COOPERATIVE,  
 INC., FOR A RATE INCREASE.

Docket No. E-04100A-04-0527

**AEPCO'S REPLY TO SSVEC'S  
 RESPONSE TO AEPCO'S  
 REQUEST FOR REVIEW OF  
 FPPCA EFFICACY AND  
 IMPLEMENTATION OF  
 ALTERNATIVE ADJUSTOR  
 RATES**

GALLAGHER & KENNEDY, P.A.  
 2575 E. CAMELBACK ROAD  
 PHOENIX, ARIZONA 85016-9225  
 (602) 530-8000

The Arizona Electric Power Cooperative, Inc. ("AEPCO" or the "Cooperative") submits this reply to the Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") Response to AEPCO's Request for Review of FPPCA Efficacy and Implementation of Alternative Adjustor Rates.

**I. SUMMARY OF REPLY**

SSVEC supports prompt approval of AEPCO's request to implement alternate adjustor rates based on a six-month bank amortization method and to continue use of that method until the FPPCA is reexamined in AEPCO's next rate case to be filed next year.<sup>1</sup> The Cooperative acknowledges that support and urges the Commission to approve, for implementation as soon as possible, the amended adjustor rates of 14.76 mills/kWh for all-requirements members ("ARMs") and 13.05 mills/kWh for its partial-requirements members ("PRMs").

<sup>1</sup> SSVEC Response, p. 2, ll. 21-26.

1 For several reasons, however, AEPCO opposes SSVEC's request to implement prior to  
2 the next rate case a different way of assigning cost responsibility among its members than the  
3 method followed for the past two years. First, as a legal matter, SSVEC's request that next  
4 September 1 AEPCO "propose FPPCA adjustor rates [which allocate] fuel and purchased power  
5 costs between the individual members of the PRMs and individual members of the ARMs"<sup>2</sup> is  
6 not what the Commission ordered in the 2005 Rate Case. SSVEC's request is a collateral attack  
7 on that decision. Second, as a practical matter, while it is working on developing such a  
8 capability, the Cooperative does not currently have the ability to track, record and allocate to a  
9 particular member the hourly cost of energy by resource which the method suggested by SSVEC  
10 requires. Third, even if AEPCO did have that capability, the power cost bases set in the rate case  
11 were not determined that way. Therefore, SSVEC's new adjustors would not produce fuel and  
12 purchased power adjustments comparable to the bases on which they are premised. Finally, the  
13 Commission already has ordered a review of the FPPCA in the next rate case. That filing—not a  
14 request for efficacy review with narrow participation on a limited bank amortization/cost  
15 recovery issue—is the appropriate forum for and procedure to address SSVEC's arguments.

## 16 II. ARGUMENT

17 SSVEC proposes a radical departure from the current structure of AEPCO's FPPCA.  
18 The current clause was discussed and approved in the 2005 Rate Case without objection by any  
19 party, including SSVEC.<sup>3</sup> As discussed in the Rate Case Decision and the referenced testimony  
20 of Staff witness Barbara Keene (Ex. S-7), a separate base cost of power was established for the  
21 ARM class and the PRM class. This was accomplished by dividing all test-year kWhs into all

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22 <sup>2</sup> SSVEC Response, p. 5, ll. 1, 8-10.

23 <sup>3</sup> "We also note that no party objected to Staff's recommendations for the FPPCA." Decision No. 68071 ("Rate  
24 Case Decision"), p. 9, ll. 27-28.

1 test-year allowed fuel and purchased power costs, excluding the capacity costs, but not the  
2 energy costs, associated with the summer peaking contract in which PRM Mohave Electric  
3 Cooperative did not participate.<sup>4</sup> This produced system average cost of service power bases  
4 which did not differentiate based on individual unit generation or purchased power costs or  
5 individual member usage patterns. The resulting base for ARMs was about 0.8 mills/kWh higher  
6 than the PRM base to take into account the fact that the PRM did not participate in the  
7 May-September peaking contract.<sup>5</sup> Adjustors were authorized on a semi-annual basis  
8 “calculated by comparing the rolling 12-month average of actual fuel and purchased power costs  
9 to the base cost established in the rate case” plus an allowance to recover the balancing account.<sup>6</sup>  
10 This formula was then used in AEPCO’s all-requirements member tariff and partial-requirements  
11 schedule and approved for filing pursuant to the Rate Case Decision.<sup>7</sup>

12 In sharp contrast to this adjustor mechanism—which was offered by Staff, agreed to by  
13 the parties, fully vetted and discussed in the rate case, recommended by the Administrative Law  
14 Judge and approved by the Commission—SSVEC requests that AEPCO propose next fall six,  
15 rather than two, adjustor rates. Further, unlike the system average cost and usage method  
16 authorized by the Rate Case Decision, these would allocate “fuel and purchased power costs  
17 between the individual members of the PRMs and individual members of the ARMs consistent  
18 with...expenses attributable to the respective members and classes.”<sup>8</sup> While AEPCO has no  
19 objection to studying pros and cons of the current FPPCA or any other system in next year’s rate  
20

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21 <sup>4</sup> This allocation of the capacity costs associated with the “State 2” member costs continues in order to maintain  
22 consistency with the rate decision as reflected in that column of page 3 of the Schedule attached to the March 28  
Amended Filing.

<sup>5</sup> Rate Case Decision, Finding 37.

<sup>6</sup> Rate Case Decision, Finding 34 and S-7, p. 4, ll. 24-26.

23 <sup>7</sup> Copies of the approved tariff and schedule are attached as Exhibit A.

<sup>8</sup> SSVEC Response, p. 5, ll. 8-11.

1 case, which it is already required to do,<sup>9</sup> SSVEC's request to do that now cannot and should not  
2 be approved.

3 A. SSVEC's Request to institute a new FPPCA procedure is a collateral attack  
4 on the Rate Case Decision.

5 A.R.S. § 40-252 provides, in pertinent part, that: "In all collateral actions or proceedings,  
6 the orders and decision of the commission which have become final shall be conclusive." As  
7 explained previously, what SSVEC wants is a dramatic redesign of the FPPCA wholly different  
8 than the current clause, which all parties to the rate case, including SSVEC, either agreed or did  
9 not object to, which Staff recommended and which the Commission approved. SSVEC also asks  
10 that the new method be applied retroactively to the April 2008 adjustors. These adjustors,  
11 however, relate to 2007 rolling average prices and 2007 bank undercollection experience when  
12 SSVEC was still an ARM. The requests are clearly an impermissible collateral attack on the  
13 Rate Case Decision and violate A.R.S. § 40-252.

14 The only issue which the Commission expressly held open in the Rate Case Decision was  
15 permission for AEPCO to request a review of the FPPCA if its "recovery of fuel and purchased  
16 power costs [is] outpaced by the rate of future fuel and purchased power cost increases." That is  
17 precisely what the Cooperative has done in its February 29 and March 28 amended filings. They  
18 ask that the Commission approve a six- rather than 12-month bank recovery feature because of  
19 persistent under-collections which are consistently "outpacing" recovery. That request is  
20 consistent with the Rate Case Decision. Unlike SSVEC's request, it does not involve a redesign  
21 of the clause nor the manner in which costs are tracked and allocated, but only the pace at which  
22 those costs are recovered consistent with the existing, approved system.

23 \_\_\_\_\_  
24 <sup>9</sup> Rate Case Decision, Findings 34-35, Fifth Ordering Paragraph, Ex. S-7, p. 5.

1           B.     AEPCO does not currently have the ability to track, record and allocate  
2                 costs as SSVEC proposes.

3           As a practical matter, AEPCO doesn't have the information required to implement the  
4 system SSVEC wants. In attempting to justify an entirely new FPPCA procedure, "SSVEC  
5 maintains that the PRMs are inappropriately and unfairly assigned fuel and purchased power  
6 costs attributable to ARMs, thereby causing the PRMs to pay higher rates and subsidize the  
7 ARMs."<sup>10</sup> AEPCO does not necessarily agree with that statement. But, the fact is AEPCO does  
8 not have the infrastructure and software capability to track and record the data necessary to  
9 address the assertion—much less implement a wholly different FPPCA system to assign costs  
10 based on it as SSVEC suggests.

11           Like most utilities, AEPCO has a broad portfolio of resources which it uses to meet its  
12 members' hourly needs, including coal, older and newer natural gas units, hydro, purchased  
13 power contracts, spot purchases and a small, but growing, portfolio of renewables. The cost of  
14 most of these resources and the mix of these resources varies on an hour-by-hour basis. What  
15 the Cooperative currently has (and during the test year had) is the ability to track, capture and  
16 record hourly load data—in the aggregate and by individual member—as well as the total hourly  
17 cost of all power generated and purchased to meet all members' needs. What AEPCO does not  
18 have is the ability to track, capture and record the hourly per unit cost of energy of each of its  
19 power resources, as well as which resource served what portion of the ARM or PRM member's  
20 load.

21  
22  
23 <sup>10</sup> SSVEC Response, p. 4, ll. 5-7. SSVEC also asserts that the current FPPCA methodology will result in SSVEC  
24 paying millions of extra dollars over time. That statement is simply one of several different and conflicting  
estimates which assume that nothing would be done on this issue before the year 2020.

1 AEPCO's Board has authorized the money to develop a system which would allow  
2 AEPCO to track that more specific cost, resource and attribution information. The development  
3 of that system is currently underway. However, the soonest the system is expected to be online  
4 is the first quarter of 2009. While it is hoped that it will be capable of developing data not only  
5 on a real time, but also on a historic period (such as calendar year 2008) basis, AEPCO is not  
6 certain that will be the case. What is certain is that the Cooperative does not currently have and  
7 will not have the ability for quite some time to even attempt the more specific allocation of costs  
8 which SSVEC requests be used in developing different FPPCA adjustors.

9 C. SSVEC's suggested allocation system would create a mismatch between the  
10 adjustors and power cost bases.

11 As previously discussed, the ARM and PRM power cost bases developed by Staff and  
12 AEPCO for use in the FPPCA were designed based on a test-year average cost of service, not on  
13 the hourly-specific unit cost, member-by-member assignment method which SSVEC now  
14 suggests. The bases were designed "in gross" based upon total allowed fuel and purchased  
15 power costs incurred in the test year (netted only in MEC's case for the capacity, but not energy  
16 costs associated with the summer peaking contract then in effect) and divided by total test-year  
17 kWhs. Obviously, (1) had the capability existed to track and assign costs on a more granular  
18 basis, (2) if parties had discussed and agreed whether and how to use that data and (3) if that data  
19 had been used, the power cost base of each member and/or the collective base of the ARMs and  
20 PRMs developed in the rate case could, and very likely would, have been different.

21 Even if the capability existed now to design the adjustors with that higher degree of  
22 granularity (which it does not), the application of those adjustors to bases not crafted the same  
23 way creates an inherent mismatch between the adjustors and the power cost bases. It would  
24

1 violate the symmetry the Commission and parties envisioned in tracking “changes in the cost of  
2 fuel for AEPCO’s generating units and power purchases...by comparing the...actual fuel and  
3 purchased power costs to the base cost established in this rate case.”<sup>11</sup> Finally, it violates one of  
4 the basic tenets of adjustor clauses that all elements be consistently formulated so that  
5 comparability is maintained and an assurance exists that allowed, achieved costs are not under-  
6 or over-recovered. SSVEC’s request to revise the adjustors “mid-stream” violates each of those  
7 propositions.

8 D. The correct forum for SSVEC to raise its redesign of the clause is AEPCO’s  
9 2009 rate case.

10 As the Commission is aware, adjustor clauses are complicated subjects. Different parties  
11 will have differing opinions on cost quantification, cost causation, cost allocation and cost  
12 responsibility. Clause complexity is an important consideration. So are ease of administration  
13 and the expense, as well as the reliability of data tracking and reporting mechanisms. Various  
14 public policy issues also come into play. For example, in general, the Commission has preferred  
15 a uniform adjustor rate which applies broadly instead of the six different adjustor rates which  
16 SSVEC seems to be suggesting. AEPCO, AEPCO’s members, Staff, potential intervenors and,  
17 of course, the Commissioners will have a variety of views about these and other subjects.

18 The Rate Case Decision requires that AEPCO’s 2009 rate case filing provide information  
19 that “addresses the FPPCA’s operation, its merits, and its shortcomings and that provides  
20 recommendations as to whether the FPPCA should remain in effect.”<sup>12</sup> That forum and  
21 procedure, not this narrowly-focused efficacy request, is the appropriate place to take up  
22 SSVEC’s, AEPCO’s and others’ suggestions concerning the design of the FPPCA.

23 <sup>11</sup> Rate Case Decision, p. 8, ll. 23-24, with reference to S-7.

24 <sup>12</sup> Ex. S-7, p. 5, ll. 14-16.

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1 **Copies** of the foregoing delivered  
this 4<sup>th</sup> day of April, 2008, to:  
2  
3 Commissioner Mike Gleason, Chairman  
4 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
5  
6 Commissioner William A. Mundell  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
7  
8 Commissioner Jeff Hatch-Miller  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
9  
10 Commissioner Kristin K. Mayes  
Arizona Corporation Commission  
11 1200 West Washington Street  
Phoenix, Arizona 85007  
12  
13 Commissioner Gary Pierce  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
14  
15 Terri Ford  
Utilities Division  
16 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
17  
18 Barbara Keene  
Utilities Division  
19 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
20  
21 Jerry Anderson  
Utilities Division  
22 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
23

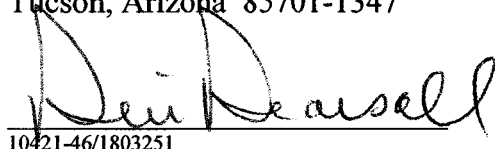
1 Christopher Kempley  
Chief Counsel, Legal Division  
2 Arizona Corporation Commission  
1200 West Washington Street  
3 Phoenix, Arizona 85007

4 **Copies** of the foregoing mailed  
this 4<sup>th</sup> day of April, 2008, to:

5  
Bradley S. Carroll  
6 Jeffrey W. Crockett  
Snell & Wilmer L.L.P.  
7 One Arizona Center  
400 East Van Buren Street  
8 Phoenix, Arizona 85004-2202  
Attorneys for Sulphur Springs Valley  
9 Electric Cooperative, Inc.

10 Michael A. Curtis  
William P. Sullivan  
11 Larry K. Udall  
Curtis, Goodwin, Sullivan, Udall & Schwab, P.L.C.  
12 501 East Thomas Road  
Phoenix, Arizona 85012-3205  
13 Attorneys for Mohave Electric Cooperative, Inc.

14 Jane L. Rodda  
Administrative Law Judge  
15 Hearing Division  
Arizona Corporation Commission  
16 400 West Congress  
Tucson, Arizona 85701-1347

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**EXHIBIT A**

COMMISSIONERS  
JEFF HATCH-MILLER - Chairman  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES



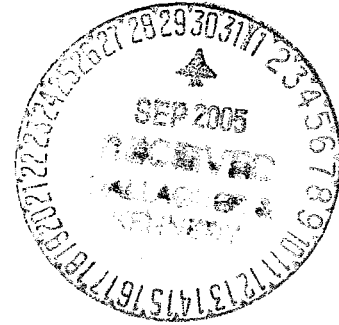
BRIAN C. McNEIL  
Executive Director

ARIZONA CORPORATION COMMISSION

September 27, 2005

Mr. Michael M. Grant  
Gallagher & Kennedy, P.A.  
2575 East Camelback Road  
Phoenix, Arizona 85016-9225

RE: ARIZONA ELECTRIC POWER COOPERATIVE, INC.  
DOCKET NO. E-01773A-04-0528  
DECISION NO. 68071



Dear Mr. Grant:

Enclosed is a stamped copy of the tariffs that were approved as being in compliance to the above Decision, with an effective date of September 1, 2005.

If you have questions regarding the filing of these tariffs, please contact me at (602) 542-4251.

Sincerely,

A handwritten signature in cursive script that reads "Lori H. Miller".

Lori H. Miller  
Programs & Projects Specialist II  
Utilities Division

/lhm

Enclosures

cc: Brian K. Bozzo  
Compliance Enforcement

ORIGINAL

ARIZONA ELECTRIC POWER COOPERATIVE, INC.

TARIFF

PERMANENT

Effective Date: September 1, 2005

AVAILABILITY

Available to all cooperative associations which are or shall be all-requirements Class A members of the Arizona Electric Power Cooperative, Inc. ("AEPCO").

MONTHLY RATE (BILLING PERIOD)

Electric power and energy furnished under this Tariff will be subject to the rates set forth in the attached Exhibit A and the terms set forth herein.

Billing Demand – The billing demand shall be that thirty minute integrated Class A member metered demand coincident at the hour of the AEPCO monthly peak. Contracts specifying demand levels and billing parameters are not included in this Class A member definition of billing demand and are billed separately.

Billing Month – The first calendar month preceding the month the bill is rendered.

Additional Charges – Service is also subject to the rates and charges stated in AEPCO's Regulatory Assets and Competition Transition Charge Supplemental Tariff. The demand and energy rates stated herein include no allowance for recovery of regulatory assets. Pursuant to Decision No. 62758, the regulatory assets and RAC have been assigned to Southwest Transmission Cooperative, Inc. AEPCO will pass through to its Class A members the RAC assessed by Southwest Transmission Cooperative, Inc.

Power Factor – Each member shall maintain power factor at the time of maximum demand as close to unity as possible. In the event the power factor measured at the time of the maximum demand is less than 95% lagging or leading, the maximum demand shall be adjusted for billing purposes by dividing the maximum measured demand by the measured power factor multiplied by .95. The provisions of the power factor adjustment will be waived if power factor is detrimentally impacted as a direct result of system improvements or a change in operational procedure by AEPCO to reduce transmission losses and/or improve system reliability.

Taxes – Bills rendered are also subject to adjustment for all federal, state and local government taxes or levies on such sales and any assessments that are or may be imposed by federal or state regulatory agencies on electric utility gross revenues.

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Transmission and Ancillary Service Charges – Each Class A member will also be billed by AEPCO for charges it incurs for the transmission of energy to the Class A member's delivery point(s). Such charges will be assessed to the Class A member at the rates actually charged AEPCO by the transmission provider and others for transmission service and the provision of ancillary services.

Power Cost Adjustor Rate – The monthly bill computed under this Tariff will, on the procedures stated herein, be increased or decreased by an amount equal to the result of multiplying the kWh used by the Power Cost Adjustor Rate where:

$$F = (PC + BA) - \$0.01687$$

F = Power Cost Adjustor Rate in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001).

PC = The Commission allowed pro forma fuel, purchased power and wheeling costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001).

BA = The "Bank Account" represents allowable accumulated fuel and purchased energy costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001) over or under collected in the past.

Allowable fuel, purchased power and wheeling costs include:

- A. The costs of fossil fuel and natural gas consumed in AEPCO's own plants as recorded in RUS Accounts 501 and 547, plus
- B. The actual costs associated with power purchased for reasons other than identified in paragraph (C) below as recorded in RUS Account 555, plus
- C. The cost of energy purchased when such energy is purchased on an economic dispatch basis. Included therein may be such costs as that charged for economy energy purchases and the charges as a result of scheduled outage. All such kinds of energy being purchased by AEPCO to substitute for its own higher cost energy as recorded in RUS Account 555, plus
- D. The firm and non-firm wheeling expenses associated with the delivery of energy as recorded in RUS Account 565, excepting network service transmission payments made by AEPCO to Southwest Transmission Cooperative, Inc for electric power and energy furnished to the all-requirements Class A members and less
- E. The demand and energy costs recovered through non-tariff contractual firm sales of power and energy as recorded in RUS Account 447, less

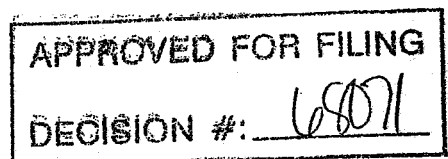
APPROVED FOR FILING  
DECISION #: 68071

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- F. The demand and energy costs recovered through inter-system sales including the incremental fuel and/or purchased energy costs related to economy energy sales and other energy sold on an economic dispatch basis as recorded in RUS Account 447.

On a calendar semi-annual basis commencing on October 1, 2006, AEPCO shall compute the Power Cost Adjustor Rate as specified herein based upon a rolling twelve-month average and file on September 1 or March 1 of the month preceding the effective date of the revised Power Cost Adjustor Rate (i.e., October 1 or April 1): (1) calculations supporting the revised Adjustor Rate with the Director, Utilities Division and (2) a Tariff reflecting the revised Adjustor Rate with the Commission which shall be effective for billings after the 1<sup>st</sup> day of the following month and which shall continue in effect until revised pursuant to the procedures specified herein.

DSM Adjustor Rate – Monthly bills for service provided hereunder will also include an amount for recovery of costs associated with pre-approved DSM programs. The DSM Adjustor Rate will be calculated by dividing the account balance of any costs incurred by AEPCO for pre-approved DSM programs less revenues received through the DSM Adjustor Rate by the total number of kWh sold to Class A members in the previous calendar year. AEPCO will file a request for the initial or revised DSM Adjustor Rate and supporting documentation with Utilities Division Staff by February 1 for a DSM Adjustor Rate to be effective on March 1.



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EXHIBIT A

Effective Date	September 1, 2005*	September 1, 2006*	September 1, 2007*
All-Requirements Members:			
Demand Rate – \$/kW Month	14.31	14.64	14.98
Energy Rate – \$/kWh	0.02073	0.02073	0.02073
Power Cost Adjustor Base – \$/kWh	0.01687	0.01687	0.01687

Power Cost Adjustor Rate – \$/kWh

0.00000\*\*

DSM Adjustor Rate – \$/kWh

0.00000\*\*

\* Rates are effective for service provided on and after this date.

\*\* Determined as set forth in the Tariff.

APPROVED FOR FILING

DECISION #: 68071



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Arizona Electric Power Cooperative, Inc.

Partial-Requirements Member  
Rates and Fixed Charge  
(Effective September 1, 2005)

Service provided to Mohave Electric Cooperative, Inc. by the Arizona Electric Power Cooperative, Inc. under the Partial Requirement Capacity and Energy Agreement shall be at the rates set forth in the attached Exhibit A.

Power Cost Adjustor Rate – The monthly bill computed under this Schedule will, on the procedures stated herein, be increased or decreased by an amount equal to the result of multiplying the kWh used by the Power Cost Adjustor Rate where:

$$F = (PC + BA) - \$0.01603$$

F = Power Cost Adjustor Rate in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001).

PC = The Commission allowed pro forma fuel, purchased power and wheeling costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001).

BA = The "Bank Account" represents allowable accumulated fuel and purchased energy costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001) over or under collected in the past.

Allowable fuel, purchased power and wheeling costs include:

- A. The costs of fossil fuel and natural gas consumed in AEPCO's own plants as recorded in RUS Accounts 501 and 547, plus
- B. The actual costs associated with power purchased for reasons other than identified in paragraph (C) below as recorded in RUS Account 555, plus
- C. The cost of energy purchased when such energy is purchased on an economic dispatch basis. Included therein may be such costs as that charged for economy energy purchases and the charges as a result of scheduled outage. All such kinds of energy being purchased by AEPCO to substitute for its own higher cost energy as recorded in RUS Account 555, plus
- D. The firm and non-firm wheeling expenses associated with the delivery of energy as recorded in RUS Account 565, excepting network service transmission payments made by AEPCO to Southwest Transmission Cooperative, Inc for electric power and energy furnished to the all-requirements Class A members and less

APPROVED FOR FILING  
DECISION #: 68071

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- E. The demand and energy costs recovered through non-tariff contractual firm sales of power and energy as recorded in RUS Account 447, less
- F. The demand and energy costs recovered through inter-system sales including the incremental fuel and/or purchased energy costs related to economy energy sales and other energy sold on an economic dispatch basis as recorded in RUS Account 447.

On a calendar semi-annual basis commencing on October 1, 2006, AEPCO shall compute the Power Cost Adjustor Rate as specified herein based upon a rolling twelve-month average and file on September 1 or March 1 of the month preceding the effective date of the revised Power Cost Adjustor Rate (i.e., October 1 or April 1): (1) calculations supporting the revised Adjustor Rate with the Director, Utilities Division and (2) a Schedule reflecting the revised Adjustor Rate with the Commission which shall be effective for billings after the 1<sup>st</sup> day of the following month and which shall continue in effect until revised pursuant to the procedures specified herein.

DSM Adjustor Rate – Monthly bills for service provided hereunder will also include an amount for recovery of costs associated with pre-approved DSM programs. The DSM Adjustor Rate will be calculated by dividing the account balance of any costs incurred by AEPCO for pre-approved DSM programs less revenues received through the DSM Adjustor Rate by the total number of kWh sold to Class A members in the previous calendar year. AEPCO will file a request for the initial or revised DSM Adjustor Rate and supporting documentation with Utilities Division Staff by February 1 for a DSM Adjustor Rate to be effective on March 1.

# ORIGINAL

## EXHIBIT A

Effective Date	September 1, 2005*	September 1, 2006*	September 1, 2007*
Partial-Requirements Members:			
Fixed Charge – \$/month	790,722	822,728	855,113
O&M Rate – \$/kW Month	7.15	7.21	7.26
Energy Rate – \$/kWh	0.02073	0.02073	0.02073
Power Cost Adjustor Base – \$/kWh	0.01603	0.01603	0.01603

Power Cost Adjustor Rate – \$/kWh

0.00000\*\*

DSM Adjustor Rate – \$/kWh

0.00000\*\*

\* Rates are effective for service provided on and after this date.

\*\* Determined as set forth in the Schedule.

APPROVED FOR FILING  
DECISION #: 68071